

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 4th Meeting of the 2000 Calendar

December 1, 2000

The 4th meeting of the Capital Planning Advisory Board (CPAB) of the 2000 calendar year was held on Friday, December 1, 2000, at 1:00 PM, in the Ground Floor Auditorium of the Capital Plaza Tower in Frankfort. Representative Perry Clark, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Perry Clark, Chair; Bill Hintze, Vice Chair; Senators Albert Robinson and Ed Worley; Representative Brian Crall; Secretary James Codell; Kevin Flanery; Lou Karibo; Cicely Jaracz Lambert; Sam Newcomb; Norma Northern; Laurel True; Garlan Vanhook; and Judge Edwin White.

Guests Appearing before the Board: Mary Lassiter, Deputy Director, Governor's Office of Policy Research; Commissioner Armond Russ, Jim Abbott, and Steve Sharp, Department for Facilities Management, Finance and Administration Cabinet; and Cicely Jaracz Lambert and Garlan Vanhook, Administrative Office of the Courts.

LRC Staff: Pat Ingram, CSA; Mary Lynn Collins; Lola Lyle; and Dawn Groves.

Chairman Clark said that holding today's meeting at the Capital Plaza Tower is part of the on-going effort for the Board to see various state government office locations. He said a tour of the building was not scheduled, but staff from the Capital Plaza Complex were available for questions.

Representative Crall's motion to approve the minutes of the October 6 meeting was seconded by Mr. True and approved by voice vote.

At Chairman Clark's request, Pat Ingram, CPAB Staff Administrator, reviewed several Information Items provided in the members' folders. Ms. Ingram said the first item was a history and other information about the Capital Plaza Complex. The second Information Item was an updated list of the community development projects included in the 2000-02 budget reflecting whether each would be handled as a local grant or as state-administered construction. These decisions had not been finalized when a similar project list was given to the Board in May. The third Information Item was a follow-up on the last meeting at which the warden at the Kentucky State Reformatory indicated that

spending approximately \$250,000 for an electronic perimeter detection system would result in large savings in personnel costs. A letter from Commissioner Doug Sapp in response to Chairman Clark's inquiry stated that the Department of Corrections plans to pursue the installation of the system and several additional projects that are needed in conjunction with it.

Chairman Clark next thanked State Budget Director Jim Ramsey for making staff of the Governor's Office of Policy and Management available to assist CPAB staff in updating the software for the upcoming capital planning process.

At Mr. Flanery's request, the next item on the agenda – approval of instructions for the 2002-2008 agency capital plans – was delayed until a change could be recommended as part of the presentation on Executive Branch Strategic Planning to be made later in the meeting.

Chairman Clark next introduced Facilities Management Commissioner Armond Russ, representing Finance and Administration Cabinet Secretary John McCarty, to report on long-range plans for housing state agencies. The Chairman noted that Secretary McCarty would be leaving state government to return to the private sector at the end of the year, and that Mr. Flanery will be assuming the position of Finance and Administration Cabinet Secretary. He said the Board is confident Mr. Flanery will do a tremendous job. Chairman Clark noted that a year ago the Board heard the first report on state offices in metropolitan areas (specifically Lexington, Louisville, and Northern Kentucky) but the actual plans called for in KRS 42.027 have not yet been received. Additionally in May, when Commissioner Russ provided an update on the Frankfort plan, the Board had been particularly interested in published comments by Secretary McCarty about the state's possible development of land along the Kentucky River near the Capitol.

Commissioner Russ introduced Jim Abbott, Director of Real Properties, and Steve Sharp, Director of Engineering, who would be assisting with the presentation. Commissioner Russ said the Department is still in the assessment phase relative to the metropolitan areas plans. He said data reported earlier suggested the Department consider putting major office buildings in metropolitan areas, but recent data about programmatic changes suggest that this approach may need to be reconsidered. Commissioner Russ said outside the metropolitan areas, the strategy of primarily leasing space from private vendors for state offices will continue. This again is due to the tremendous changes that have occurred and are expected to continue in the programs housed in those locations. Commissioner Russ said there is currently not a clear direction to take relative to the metropolitan area plans.

Commissioner Russ said it had also been very difficult to work on the details of the Frankfort plan until various aspects of the Transportation Cabinet Office Building

were finalized. He said the next time the Department comes before the Board, formal master plans for Franklin County and the major metropolitan areas should be available.

Relative to the Frankfort plan, Commissioner Russ reviewed the outline for his presentation and noted that copies of the slides were available for the members. He said a study conducted for the state by Fantus Consulting had concluded that facilities for the core operations of state government should be state-owned rather than leased. Using data from other states as well as state employment growth in Franklin County, it was determined that approximately 85% of office space should be permanent (state-owned) and 15% should be flexible (leased) space to allow for programmatic changes that affect space needs. As such, a goal of the Master Plan is to reduce the amount of state-leased space by 750,000 to 1,000,000 square feet.

Commissioner Russ said there are three obstacles to meeting the goal of reducing leased space: 1) building functional obsolescence (the existing, older buildings are not configured for current operational demands, e.g., wiring needs, rapidly changing organizations); 2) “sick building” issues (most of these deal with air conditioning and heating systems which do not meet current standards relative to ventilation); other than renovation, the only way to address this is to de-populate the buildings, which is currently being done in the State Office Building; and 3) new programs (new state and federal funding for programs as well as reorganizations result in demands for space).

Commissioner Russ described the projects to construct new office space in Franklin County that have already been authorized. The 420,000 square foot Transportation Cabinet Office Building is in design, the property has been acquired, and demolition and site preparation are underway. The building is to be completed in 2003. The 50,000 square foot Public Service Commission Building was completed and occupied in January 2000. The 75,000 square foot Kentucky Higher Education Assistance Authority Building, to be located near the airport, is in the design phase with projected completion in Fall 2002. Commissioner Russ emphasized that although there will be 545,000 square feet of new space, a planned seven-year renovation cycle will result in various existing major office buildings being vacant, with the occupants having to be housed elsewhere. As such, a large amount of “float space” will be needed during the renovation cycle.

As proposed new construction, Commissioner Russ listed 400,000 square feet of general office space to address needs of the Natural Resources and Environmental Protection Cabinet (NREPC) and the Personnel Cabinet, and to serve as “float space” for the Capitol Renovation project. He noted that the NREPC is housed in aging space, some of which is declining. It is uncertain when this space will reach the point of failure, and there is no space available to house these state employees if and when that occurs. Commissioner Russ said the Personnel Cabinet currently leases space in a building

owned by the Kentucky Employees Retirement System (KERS), but due to expansion of its programs, KERS plans to take over that area, thus displacing the Personnel Cabinet.

The other proposed new construction is an Executive Office Building which will allow for partial de-population of the Capitol. Funds for design and a minimal amount of infrastructure construction for this 88,000 square foot building were included in the 2000-02 budget. Commissioner Russ said the total 488,000 square feet of new space will go a long way toward the goal of reducing leased space.

Projects to make existing, vacant state-owned space usable include a proposal to renovate the Jones Building (a 27,735 SF facility near the CHR building and Commonwealth Data Center) to house Governor's Office for Technology staff that are currently in leased space, and a recently-completed refurbishment of the Health Services Building basement (43,000 SF) to accommodate Department of Corrections staff that were displaced from the State Office Building when it had to be de-populated to address indoor air quality and electrical problems. Commissioner Russ thanked the Department for making inmate labor available for the project in the Health Services Building.

Commissioner Russ next provided more detail on the Transportation Cabinet Office Building. He said the building will be located adjacent to the Capital Plaza Tower. It will have a 1,500-car attached parking garage and a central utilities plant that will be expanded to include boilers and chillers for the State Office Building when that facility is renovated. Commissioner Russ said having the central utilities plant will make more space available for occupancy in the State Office Building and reduce operating costs. The total project scope is \$115 million. The major issue with the building, currently, is coordinating utility services with the city of Frankfort. The approximate bid date for the project is May of 2001.

Commissioner Russ said the new Executive Office Building would be located in the proximity of the current chiller plant and parking garage on the Capitol Campus. It is being built based on recommendations of consultants that the population of the Capitol needs to be reduced in order for a renovation to maintain the building's historic integrity. In response to Senator Worley's question about the source of the recommendation to de-populate the Capitol, Commissioner Russ said the master plan was prepared by a consulting firm experienced in state capitol renovations.

Senator Worley then asked whether additional code requirements are triggered when a vacant building is renovated as compared to doing renovations when the building is occupied. Commissioner Russ said cosmetic changes do not require that code issues be addressed, but if over 50% of the building cost is to be invested into the renovation, that does trigger the code requirements whether or not the building is occupied. He said an

extensive analysis has concluded that it will be faster and cheaper to renovate vacant buildings.

Responding to Senator Robinson's question about legislative authorization for the Executive Office Building, Commissioner Russ said design and some infrastructure construction were approved in the 2000-02 budget.

Senator Worley asked about funding for infrastructure improvements that need to be made by the City of Frankfort for the area of Transportation Cabinet Office Building. Commissioner Russ and Mr. Hintze explained that the General Assembly had appropriated some funds for this purpose, but all of the costs and arrangements for funding them are still being finalized.

Commissioner Russ said the Capitol Restoration project calls for returning the building to the grandeur of when it was constructed in 1908, but to do so also involves renovating the Capitol Annex which is a support building to the Capitol. The 2000 General Assembly provided design funds and the estimated total cost of construction is \$100 million. Given factors such as the complexity of the project and General Assembly sessions that will need to continue being held in the building, the project will be slow, with an estimated completion date of Summer, 2006. Major issues to be addressed include obtaining funds from the 2002 and 2004 General Assemblies and identifying "swing" space in which to relocate the building's occupants. Because of annual sessions, there will be shorter intervals in which the work can be done, so an effort will be made to move more people out between sessions than was initially planned in order to provide a larger work area each time.

In conclusion, Commissioner Russ reviewed the design and construction funding sequence needed to implement the Frankfort plan. It will require approximately \$473 million over the proposed 10-year implementation period. The Commissioner said this would be the most construction and renovation ever done in the capital and again emphasized the need for adequate "float space" to house state employees displaced during the process.

Senator Robinson asked about costs if the plan is not implemented. Commissioner Russ said Frankfort is unique among state capitals in that there is no space in which to locate employees if a building experiences a major system failure. When asked by Senator Robinson about possibly relocating workers outside of Frankfort, Commissioner Russ said that approach raises several issues and concerns.

Mr. Flanery said he would also like to address Senator Robinson's questions. He noted that Department for Facilities Management staff is continuing to look at costs of the various options and other issues and will want to share this information with the Board.

He also said that part of the planning involves how to keep state offices in Frankfort for the workers who have invested their time and resources to live in this area.

Mr. Hintze said several issues need to be addressed including how many people need to be housed in state office buildings in Frankfort, should they be housed somewhere else, and are there options other than proceeding on the broad program that has been proposed. He said several activities may assist with this effort including the strategic plans currently being developed by the agencies, and the Empower Kentucky initiative and information technology reviews that have been ongoing for the past five years.

Mr. Hintze stated that one issue is whether state agencies should house people or whether staff should be in the field and communicate electronically. If the approach is to use technology, there will be substantial costs to upgrade the technology infrastructure because in the buildings discussed today that infrastructure is either nonexistent or antiquated and inadequate.

Mr. Hintze said that an alternative to the plan presented today is to continue paying escalating lease costs into perpetuity. He noted that during the 2000 Regular Session, the administration had sought authorization for alternative financing of a new state office building that would not require an up-front, multi-million dollar General Assembly appropriation but would require amortizing, after the building is occupied, debt incurred by a private developer. Mr. Hintze said the various options need to continue being examined.

Chairman Clark referenced KRS 42.027 which calls for space sharing and the consolidation of agencies where possible and asked whether that was being addressed. Commissioner Russ said due to the lack of available space, that is very difficult to do in Franklin County, but they are trying to address the issue where possible for small agencies. Mr. Abbott added that this is being done in some instances outside of Franklin County.

Chairman Clark thanked Commissioner Russ and his staff for their presentation. He next introduced Kevin Flanery, Deputy Secretary of the Finance and Administration Cabinet, and Mary Lassiter, Deputy Director of the Governor's Office of Policy and Research to make a presentation on Executive Branch Strategic Planning, especially as it relates to the CPAB's work.

Mr. Flanery said House Bill 502 (the 2000-02 appropriations act) requires that each cabinet-level budget unit develop a four-year strategic plan, and that there be three to six performance budgeting pilot projects. The plans are to be submitted using a common electronic format and on the same cycle as used for the budget. Mr. Flanery

stated that their goals are to achieve the legislative mandates of HB 502, to ensure that there are clear linkages to Governor Patton's Strategic Agenda, and to build on existing strategic plans and strategic initiatives.

Mr. Flanery said the existing Empower Leadership Team (primarily Cabinet secretaries) was the overseeing body for the effort, and a Process Leadership Team (representatives from state agencies) had met regularly to determine how strategic planning should be done. Inputs included existing state agency strategic plans, other states' strategic planning models, other strategic planning models, definitions, performance indicators, other state strategic initiatives, and other information and resources. He said they felt obtaining stakeholder/customer input about developing the plans was very important, and that sometimes the process of doing the plan may be as important as the final product.

Ms. Lassiter said it was decided to view this initiative as a process redesign and as such to partner with the Empower office, which had been involved in such efforts previously. Ms. Lassiter said that while cabinets have done strategic plans in the past, this is the first attempt to coordinate such efforts and to have four-year plans with missions, goals, objectives, and performance indicators in a consistent way.

Ms. Lassiter next reviewed the outputs of the plan development process – the requirement for linkages to the Governor's strategic agenda, a content model for what should be in the plans, a process model, consistency with other resource requests, and an implementation plan.

Ms. Lassiter said the starting point for each strategic plan is the goal of setting Kentucky on the path to achieving economic opportunity and a standard of living above the national average in 20 years. Cabinet plans are to address each of the strategies that have been identified to accomplish that goal. Those strategies are promoting economic development, improving education product, building self-sustaining families, strengthening efficiency and operations of government, and reducing crime and its costs to society.

Ms. Lassiter explained that the following components are required to be included in each plan submission: identify core values, create a vision, validate the mission, set goals, and develop objectives and performance indicators. She said these fundamental components should not change over the four-year period, while other components of the plan may be affected by changes in resource allocations. Those components are strategies, action plans, and implementation, monitoring and reporting of progress.

Ms. Lassiter said the process model includes a complete set of instructions on how to carry out the process, a means of reevaluation in relation to legislative actions, a

designation of which organizations are to submit strategic plans, mechanisms to get input from customers and stakeholders, guidance for implementing/using the strategic plan, and communication of the plan.

Noting that the language in HB 502 refers to cabinets submitting strategic plans, Chairman Clark asked whether any other agencies would be doing strategic plans. Ms. Lassiter said plans would also be submitted by the Department of Military Affairs, the Department for Local Government, and the Governor's Office for Technology; the leaders of these agencies serve in the Governor's Executive Cabinet. Additionally, because of their size and importance to state government, the Department of Education and the Council on Postsecondary Education are participating voluntarily.

Ms. Lassiter said a major emphasis of the presentation today is that there is to be consistency among the strategic plans and other planning processes that are more oriented to the allocation of resources – these include the capital plans, the information technology plans, and the biennial budget. She asked that the capital planning instructions to be approved at this meeting be amended to include language calling for a linkage with the strategic plans and noted that they will be making similar requests relative to the information technology plans and budget requests. Mr. Flanery noted that the draft capital planning instructions already call for plan overviews to address agency missions and suggested that this would be the appropriate place to include additional language about consistency with the strategic planning process.

Mr. Hintze made a motion for the capital planning instructions to include language that there should be an affirmative consideration of the strategic planning process in the development of agency capital plans. Senator Worley seconded the motion, which carried by voice vote.

Senator Worley then made a motion that the instructions and forms for the 2002-2008 agency capital plans be approved as amended. Representative Crall seconded the motion. It was approved by voice vote.

Chairman Clark thanked Mr. Flanery and Ms. Lassiter for their presentations.

Judge White said he is always impressed by the presentations that are made at these meetings. He said a lot of good things are happening in Kentucky state government and someone needs to get out into the state and tell people what is going on and how well state government is functioning. Judge White said the plan presented by Commissioner Russ makes sense and people should know about it. Chairman Clark said these were very good observations.

Chairman Clark introduced Debra Gabbard, Executive Director of the Office of Policy and Budget in the Transportation Cabinet, who would be representing Secretary Codell for the remainder of the meeting.

Returning to the agenda, Chairman Clark noted that the Board has frequently discussed the planning and construction of court facilities. Last year, these discussions resulted in recommendations to the 2000 General Assembly which were ultimately enacted as House Bill 734. Chairman Clark introduced representatives of the Administrative Office of the Courts (AOC) to present an overview of the new process put in place under HB 734.

Ms. Cicely Jaracz Lambert, Director of AOC, explained that the process is documented in a new Project Management Guide which is now a part of the administrative procedures of the Court of Justice. She then introduced Mr. Garlan Vanhook, AOC's General Manager of Facilities; Ms. Leesa Hayden, Assistant General Manager of Facilities; and Mr. Jim King, Manager for Facilities Development and Operations. Mr. King also served as the consultant who developed the guide to the new procedures. Ms. Lambert noted that Mr. Vanhook and his staff execute duties and responsibilities for the Judicial Branch similar to those performed for the Executive Branch by the Finance and Administration Cabinet's Department for Facilities Management.

Ms. Lambert said Court of Justice projects include new Judicial Centers and support facilities, existing Courthouse expansions, existing Courthouse renovations, adaptations of existing facilities, major repairs and upgrades, security systems, telecommunications and data processing, and furnishings. Facilities-related services and support include small construction projects, buildings and grounds support, janitorial support, utilities, security systems, information system infrastructures, technical assistance for local governments as well as Court of Justice staff, and other day-to-day facility operations.

Ms. Lambert stated that the Court of Justice currently occupies over 2.5 million square feet of space in 291 facilities throughout the state. Since the 1975 Judicial Article was passed, various new programs have been initiated causing an increasing strain on already limited facilities. Approximately 3,200 employees work directly for the Court of Justice; this does not include other personnel that may use space in court facilities. AOC has one of the largest construction programs in the state, with 34 major projects underway - 13 facilities with an estimated cost of \$186.5 million are under construction and 21 facilities at an estimated cost of \$173.4 million are in design. To accurately identify future construction needs, a Preliminary Assessment of all Judicial facilities has been executed and a Detailed Assessment of facilities in 51 counties is currently underway. Ms. Lambert said a special concern relative to existing facilities is the historic nature of

some of the sites. She noted that 77 of the 120 primary courthouses are over 50 years old, and of those 34 are over 100 years old.

To provide a point of reference before describing the new process under HB 734, Ms. Lambert explained that one of the problems of the past was an inaccurate six-year capital plan, which was due to AOC's lack of control and input in project development, unrealistic expectations relative to financial participation by local agencies, and lack of a statewide coordinated facility development program.

Ms. Lambert said other difficulties in the process in the past involved project design, construction and financing. She noted that the projects were considered local projects, not Court of Justice projects and there was no clear statutory authority for the Court of Justice to provide oversight. All of these issues contributed to the chronic problem of construction cost overruns.

Ms. Lambert noted that the AOC Facilities Office had been grossly understaffed and thanked the Board for its early recognition of these deficiencies and for its support in recommending that the Office be properly staffed. In the past year, several staff members have been added to the office including a Manager for Facilities Development and Operations, a financial analyst, a court planner, and an assistant for court security systems. An architect and a facilities officer are to be hired in the near future.

Ms. Lambert said HB 734 gave statutory authority to the process of court facilities development. It requires the Chief Justice to issue guidelines for design, financing, and construction of Court Facilities, including the development and implementation of Kentucky standards for court facility construction. It requires AOC to do an assessment of court project needs and to develop project programs and cost estimates. It also defines "Use Allowance" for the Court of Justice's share of costs, and requires the development of a prioritized list of proposed facilities, the evaluation of local agencies' financial condition, 20-year bond terms, legislative oversight of the Court Facility Use Allowance Contingency Fund, and quarterly status reports to the Capital Project and Bond Oversight Committee on all outstanding Court of Justice projects.

In October, the Chief Justice implemented the first two components of the new Real Property Management System as Part X of the Court of Justice Rule of Administrative Procedure. Section I, the Construction Program Development Guide, defines the process of developing a Court of Justice facility, the required documentation, how estimates of scope and cost are prepared, how to select and manage the design and construction services, what is expected of professional service providers, and project bonding and financing procedures. Section II, the Court Facilities Criteria, specifically addresses space to include defining what areas go into a Court of Justice facility and how large those areas are. Section III, due to be completed later in December, will be the

Court Facilities Design Guide primarily for architects and engineers and it will define the required performance or standards expected for court facilities. Section IV, the Court Facilities Management Guide, is to be completed in May 2001 and will address day-to-day operations such as the execution of maintenance and repairs and the management of utilities and other required services.

Ms. Lambert turned the presentation over to Mr. Vanhook to describe the process of assessing court facilities needs, which is done on a county by county basis. According to Mr. Vanhook, that process involves correlating US Census Bureau population data and projections with Court of Justice caseload data; projecting the number of courts, judges and staff required to address future caseloads; and applying court facilities criteria to determine current and future facility requirements. Mr. Vanhook showed several examples of these calculations.

Mr. Vanhook described the four classes of court facilities – Rural Court Facilities, Urban/Metropolitan Court Facilities, Satellite Facilities, and Leased and Interim Judicial Facilities. Within the Rural Court Facilities category there are two subcategories – single courtroom or two courtrooms.

Mr. Vanhook explained that the projected caseload determines the number of courtrooms needed, the number of courtrooms determines staffing needs, and staffing determines the facility requirements. He gave an example of how these calculations are done using sample data.

Mr. Vanhook said the program for the facility is comprised of two components – the facility's size is determined by the square footage requirements for each of 17 functional areas, and the supporting facilities/infrastructure component addresses requirements for items such as site preparation, storm drainage, grading, parking, signage, security barriers, and utilities.

After determining the program requirements, they are compared with the existing or available space to assess the county's needs. The Preliminary Assessment is done in house by using existing data and AOC staff knowledge of the facilities. Counties are graded from zero (best) to five (most needy). This grading produced a prioritized list of 59 facilities in 51 counties for which a Detailed Assessment, involving on-site reviews, would be undertaken. The Detailed Assessment was contracted out through a Request for Proposals process since AOC lacked the necessary staff. Work began in September, with completion expected in January.

In response to Mr. True's question, Mr. Vanhook said the cost for these assessments was approximately \$2,470 per county. The fact that AOC had already created the format and identified the specific data to be collected helped in getting this

good price. The information will be in a digital format. Mr. True said this seemed to be a very reasonable cost and asked whether something similar could be done for the state buildings in Frankfort. Commissioner Russ replied that, as mandated by CPAB, the Department for Facilities Management is working on how it could do such assessments, but there are thousands of state buildings and it may not be feasible to collect such detailed data in all instances. They are working on getting the data that are needed at different levels (e.g., for operational needs vs. centralized recordkeeping). Mr. Flanery added that the Real Property Management System discussed at the Board's last meeting is intended to begin addressing this issue. Mr. True said that it would be invaluable for state decisionmakers to have such information, and that it would seem logical to begin with the major facilities.

Mr. Newcomb asked if any part of the process addresses recurring costs such as continuous roof problems to which Mr. Vanhook replied that this will be included in the Management Guide that will be forthcoming. Additionally, the Design Guide will establish minimum standards for projects. In response to Senator Worley's question, Mr. Vanhook said in the future AOC will have more responsibility and accountability for the decisions that are made regarding the local facilities.

Ms. Lambert then explained that using information from the assessments, the Court of Justice is to develop a prioritized list of "most needed" construction projects. Officials in those counties will be approached to see whether they desire to be considered for a new or upgraded facility. If so, the Court of Justice will enter into a Memorandum of Understanding (MOU) with the local government to define the duties and responsibilities of each. AOC will then prepare detailed program documents. Mr. Vanhook explained factors that are considered and gave an example of how a project cost estimate is prepared for inclusion in these documents. He noted that the program documents also address items such as building components, land acquisition, the availability of non-state funds, environmental issues, historic preservation issues, etc.

Ms. Lambert said that upon General Assembly approval, a Project Development Board is created to act as the agency of the local government and the Court of Justice. The Board selects all professional and construction service providers (e.g., architects, engineers, construction managers, general contractors). With AOC assistance, the Board is responsible for oversight of the project to ensure it complies with the program documents. A Design and Construction Committee is empowered to act on immediate needs that may arise between regular Board meetings. The Board may select a design service provider by the traditional method (review of submissions by interested providers or review of submissions plus interviews) or by a design competition (for projects over \$5 million only).

Mr. Vanhook explained other changes from the past include the existence now of uniform standards for the payment of architect and engineer services (A&E), uniform design service components that are similar to those used by the Finance Cabinet (Phases A – D), and standard provisions for A/E contracts (e.g., indemnity, termination criteria). AOC provides design guidance addressing uniform performance standards for design and construction, uniform standards for finishes, and functional area relationships.

Mr. Vanhook next explained the three options available to the Project Development Board for selection of a construction services provider – the traditional method of design-bid-build, best value, and design-build. They can also evaluate the option of using a construction management service provider, but this decision must be made early in the design phase since this provider must work closely with the A/E. The manager must be contracted at risk with a maximum guaranteed price, and paid in accordance with the Program Development Guide. Since they are not licensed in Kentucky, the Court of Justice has established minimum qualification standards for these providers. There are also uniform duties and responsibilities and uniform general provisions for construction management services.

The final item discussed by Ms. Lambert was project financing. She explained that the Program Development Guide sets uniform standards for rate of participation, allowable expenditure of funds, bond issuance procedures, standard fee schedule, use allowance recalculations, and interim financing.

Ms. Lambert said the Court of Justice believes the changes under HB 734 will result in court facilities being designed and constructed for long-term use in a cost effective manner.

Representative Crall asked for clarification of the “availability of non-Commonwealth of Kentucky funds” item in the program document. Mr. Vanhook said the intent is that if the county wants a certain percentage of the facility to be for its agencies, the county will formally commit to pay for that portion of the space. He explained that counties initially asking that space be included, but then not being able to finance that share of the project had been a problem in the past. In response to further questions from Representative Crall, he said that having the needs assessment and more detailed programming will allow everyone to understand early in the process the financial needs and commitments that are required. It also puts more responsibility on AOC to identify the project that is needed as accurately as possible.

Mr. Hintze said the process has come a long way with the legislation and the Court of Justice actions indicative of a remarkable, fundamental change from the previous method of operation.

In response to Mr. Hintze's questions about who makes the decision to refund bonds since they continue to be county issues, AOC staff attorney Sara Boswell Dent said the new rules call for the county to initiate the refinancing but AOC approval is required. Senator Worley said it is important to ensure that the refinancing will be cost effective.

Senator Worley asked if the National Center for State Courts (NCSC) is still involved in these projects. Mr. Vanhook replied there is some continuing involvement under existing contracts for previously authorized projects, but there will not be a role for the NCSC in the new projects (beginning with 2000-02).

Mr. Newcomb asked about the impact of the language in the 2000-02 Judicial Branch budget that allows fiscal courts to increase court fees and costs. Ms. Lambert said it is being called a court facilities fee, but was not taken into account when the just-approved procedures were written because they did not know which counties would assess it. Mr. Hintze said this was not a part of the main legislation that addressed the court facilities construction procedures.

In response to Chairman Clark's question about there being no reference to CPAB in the new procedures, Ms. Lambert explained that the Court of Justice will continue to submit six-year capital plans to the Board.

Chairman Clark thanked the AOC staff for their presentation. He then recognized former State Representative Larry Brandstetter, who previously served on this Board.

Chairman Clark stated that plans are to hold the next meeting at one of the Frankfort buildings leased by the Natural Resources and Environmental Protection Cabinet but the exact time and location are yet to be determined.

Mr. Flanery seconded Mr. Newcomb's motion to adjourn. The motion carried, and the meeting was adjourned at 3:40 p.m.

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